

Market Study Requirements

General Requirements

Market analysts contracted by applicants to perform market studies on rental housing tax credit developments must be experienced independent third parties with strong knowledge of Indiana affordable housing markets. Analysts cannot be members of the development team, nor have a financial interest in the development aside from compensation for market research services. The Authority will publish an approved list of market analysis firms from which applicants may choose a firm with which to work. Only these firms will be eligible to submit market studies with applications for rental housing tax credits. Annually, market analysis firms may apply to the Authority to be included on this listing. For more information on the application requirements, please refer to the application listed elsewhere in this schedule. **All market studies must have been completed within twelve months prior to the application for funding.** Market studies must be included with the rental housing tax credit application. Market analysts must clearly define all sources for data. Statistical tables should have sources of the data attached to it. Applicants must submit one spiral bound hard copy and one copy on a compact disc (CD) in an Adobe Acrobat portable document format (pdf). Please use all efforts to make sure that the CD is virus-scanned prior to submission. Submissions via email are not acceptable.

Executive Summary

Each market study must include a 1-3 page executive summary that includes the following:

- a) A brief description of the site and immediately surrounding area. The description must include the project's name, street address (if available), city, county, zip code, census tract number, latitude & longitude (for geocoding purposes) and whether the site is located in a qualified census tract.
- b) A brief summary of the project including the type of construction (new and/or rehabilitation), number of buildings, number and type of units, proposed rents and population served.
- c) A brief description of the market area.
- d) A statement of the analyst's assessment of market feasibility including the prospect for long-term performance of the property given housing, demographic trends, and economic factors. The statement must include an estimate of the demand for each unit type at the proposed start of lease-up through presentation of the penetration, absorption, and capture rates.
- e) A summary of strengths and/or weaknesses of the market and of the subject development that may impact the subject development's marketability and performance and circumstances that may lessen any negative attributes.
- f) A statement of recommendations and/or suggested modifications to the subject development.
- g) A summary of the competitive position of the subject development relative to existing and planned affordable housing developments in the market area.
- h) Provide the average vacancy rates at reported comps in the PMA; also, provide the average vacancy rate for rental housing tax credit projects within the PMA.

Development Description

The market study must provide the following information in its description of the development:



- Color photos of the subject property.
- A detailed description of the location, including neighborhood, adjoining streets and major intersections, number of acres, site topography, visibility, proximity to adverse conditions and a site map.
- A narrative that discusses zoning and land use adjacent to the proposed site.
- A scaled color map must depict the project location and the closest transportation linkages, shopping, schools, medical services, public transportation, places of worship, community centers, financial institutions, libraries, recreational facilities, and major employers within a one and one half mile radius of the subject site. A larger map should also provide a “panoramic view” of these amenities within the PMA and their distance to the site. In situations where it is not feasible to show all of the amenity categories on a map, the categories may be presented in the narrative of the market study.
- Total proposed project units and total tax credit units by: number of bedrooms and baths, income limit as a percent of AMI, unit size in square feet, proposed rents and utility allowances for tenant paid utilities
- The type of construction, i.e. new construction and/or rehabilitation
- The type of structure, i.e. townhouse, duplex
- Number of parking spaces per unit
- Occupancy type (i.e. senior, special needs population, families)
- Description of the number of buildings, design, number of stories, unit and common amenities, site amenities and parking
- Identification of any uses in the immediate vicinity of the subject site or near the subject that are not generally compatible with rental housing. Further, once such uses are identified, the analyst should seek to obtain available information regarding such use(s) and he/she should include information obtained in the report.
- For projects proposing rehabilitation, the study must contain a description of the scope of work as detailed in the rental housing tax credit application. Also, the study must identify the current occupancy levels, operating expenses, if available, and rents being charged, proposed rents, presence of existing federal or municipal housing subsidy programs, i.e. Section 8, Section 202, Section 236, BMIR, etc.
- Developer’s projected dates for construction start and completion, and start of pre-leasing.

Market Area Description

Secondary market areas may not be used in describing the market. The analysis must be limited to the primary market area. The primary market area (PMA) is the most likely geographic area from which a property would draw its support. At a minimum, the PMA description must include the following:

- A narrative and map of the PMA where the boundaries are identified. The boundaries may be identified by census tract boundaries, municipal or town jurisdictions, neighborhood boundaries, and street or highway names. The analyst must explain and justify the rationale for selecting the boundaries of the PMA. **The use of radii or zip codes to depict the boundaries of the market area is unacceptable.** The map must indicate measurement of distance from the site to PMA boundaries.
- Color photos of the adjoining area or neighborhood.

Market Area Economy

Market area economic data must include the following:

- Total jobs over the past five years in the county in which the site is located.
- Description of the employment by industry sector for the PMA or smallest geographic area available that includes the PMA and compare the data to the larger geographic area, i.e. city, county, MSA, or labor market area. Provide numbers and percentages.
- A list of major employers in the PMA and announced expansions, contractions in their workforces, as well as newly announced employers and their anticipated effect on the local economy.
- Resident employment and unemployment trends for the PMA; also, the county-total workforce figures in numbers and percentages.
- Based on the data, provide analysis and conclusions on the overall economic status of the market area and how the proposed development would be affected.
- Data sources such as U.S. Census Bureau, Bureau of Labor Statistics, Claritas, ESRI, may be used in compiling the data. Explain any inconsistencies in the data between data sources used.

Demographic Data

In presenting demographic data, i.e. population and household trends, for the market area the analyst must use data sources such as U.S. Census Bureau, Claritas, ESRI, or other reputable information repositories. Include data on population and household trends from 1990, 2000, current year and five-year projection. If there are inconsistencies between data sources, then the analyst must reconcile them and provide the justification for the figures and projections that are presented. Likewise, the analyst must provide and support all assumptions made in analyzing and presenting the data. The data must be expressed in number and percentage form. The analyst is required to discuss the data in a narrative format that highlights major changes and offers conclusions. The following aspects must be included in the presentation of demographic data:

- Total population and households for the PMA
- Population and householders by age group
- Number of senior and non-senior households (senior developments only)
- Total number of households by tenure, income, average household size, and group quarters. With senior development proposals, also designate by senior owners and senior renters. Senior proposals should reflect the income distribution of senior households only.
- Income by \$5,000 **or** \$10,000 increments. Be consistent.
- Renter households by number of persons in the household.

Demand Analysis

The sum of demand from components a) and b) below will constitute total demand.

- a) Demand from New Renter Households: The analyst may determine new units in the PMA based on projected renter household growth. This must be determined by using the current base year of 2009 or 2010 and project forward to the anticipated placed-in-service date of 2011 or 2012. .



The population projected must be limited to the age and income cohort. The demand for each income group (i.e. 50% of area median income (AMI)) targeted must be shown separately. Proposed developments targeting senior households must present data demand calculations for age 62 and older. In instances three and four bedroom units comprise 20% or greater of total units, the analyst must include analysis of the number of large households.

b) Demand from Existing Households:

- Rent-over burdened households, if any, within the age group, income cohorts and tenure (renters) targeted for the proposed development; The analysis should assume rent-overburdened households are paying greater than 35% (family) or 40% (senior) of their income towards gross rent.
- Households living in substandard housing units; adjust for age, income bands, and tenure as applicable. The analyst must use conservative estimates as to the demand from households that are both overburdened and living in substandard housing.
- Income eligible senior homeowners likely to convert to rentership. Analysts must provide a narrative of the steps taken in arriving at the demand figure. Analysts are encouraged to be conservative in this regard.

The analyst must provide a detailed analysis of the income levels of the potential tenants for the proposed units. Also, the analyst must:

- Provide all of the assumptions in how demand is determined, including the minimum and maximum income range for each targeted group, so that the analysis is transparent and can be duplicated. The sources for determining demand may be from U.S. Census Bureau, Claritas, ESRI, or any other reputable source
- **Use a rent burden of up to 35% of their income for family households and up to 40% for senior households**
- Define and justify the absorption period and absorption rate for the proposed development to reach 95% occupancy
- Analysts are required to use net demand in calculating capture rates and the absorption period. Net demand should be determined by subtracting the supply of tax credit units in the PMA that have come on line since 2007 from total demand. Vacancies in developments placed in service which have not yet reached stabilized occupancy (93%) must also be included in supply.
- Calculate the capture rate for each income target group and bedroom size in the proposed development. The capture rate is calculated by dividing the number of units in the proposed development by net demand in the PMA.
- Calculate the penetration rate for the PMA on senior developments only. The penetration rate is the percentage of age and income qualified households in the PMA that all existing and proposed affordable properties to be completed within six months of the proposed development, and which are competitively priced to the subject that must be captured to achieve the stabilized level of occupancy (95%)
- Derive a market rent and an achievable rent schedule and then compare it to the applicant's proposed rent
- Provide two calculations for overall capture rates of developments proposing Section 8 project-based rental assistance. Analysts are required to use demand calculations with or without rental assistance.
- Identify how the absorption rate was calculated.

- For developments with market rate units, the analyst must make some reasonable determination of the likelihood of 80% AMI households residing in the proposed units.

Demand, Supply, Net Demand, and Total Absorption Period should be indicated in the following formats:

	Up to 30% (min. income to max. income)	Up to 40% (min. income to max. income)	Up to 50% (min. income to max. income)	Up to 60% (min. income to max. income)	Market Rate (min. income to max. income)
Income Restrictions					
New Rental Households					
Plus					
Existing Households-Rent Overburdened					
Plus					
Existing Households-Substandard Housing					
Plus					
Senior Homeowners Likely to Convert to Rentership					
Equals					
Total Demand					
Minus					
Supply (includes directly comparable units completed or in pipeline in the PMA, vacant or occupied)					
Equals					
Net Demand					
Total Absorption Period					

Bedrooms	Total Demand	Supply	Net Demand	Units Proposed	Capture Rate
1 Bedroom at ___ % AMI					
2 Bedroom at ___ % AMI					
3 Bedroom at ___ % AMI					
4 Bedroom at ___ % AMI					

Supply Analysis

The analyst must provide the following in the analysis of comparable multi-family properties in the PMA to adequately describe current market conditions. Data should be presented in a chart or table as well as in a narrative, as needed:

- Two surveys of rental housing tax credit developments and market rate developments within the PMA that would likely compete with the proposed development should be completed for existing,

proposed, and under construction multi-family properties; the date the survey was conducted must be noted. Separate out family and senior developments.

- Vacancy rates for family and senior tax credit properties and moderately priced market rate units
- Indicate rent per square foot for each surveyed property; also present actual rents. Rents should not be averaged.
- Color Photographs
- Name, location, population served, type of design, age and condition, number of units by bedroom type, rent levels, number of bedrooms and baths for each unit type, size in square footage of units, kitchen equipment, type of utilities (state whether tenant or owner paid and energy sources for hot water, heat and cooking), unit and site amenities included, on-site management, occupancy rate, absorption history (if recently completed), name, address, and telephone number of property contact, color photos of each comparable property and color map showing the location of each property in relation to the proposed development
- Provide a narrative on the development's ability to achieve the anticipated capture rate.
- In cases of rehabilitation of an existing property, the analyst must discuss the development's marketability and competitiveness in comparison to similar existing or planned multifamily properties
- In the case of proposed rural projects where a sufficient number of comparables do not exist in the PMA, data on at least three developments in adjacent markets with similar characteristics must be included in the market analysis. Also, in rural areas lacking sufficient three or four bedroom rental comparables, provide data on three and four bedroom single family rentals, or provide information on rental trailer homes and single family homes in an attempt to identify where potential tenants are currently living
- The market vacancy rate for the PMA rental housing stock by AMI levels and target market, if available and type of occupancy and unit size
- Identify the number of people on waiting lists for each development
- Discuss the availability of affordable housing options, including purchase of homes
- Family and senior developments should not be considered as competitive with each other. Analyst must provide strong justification in the market study if s/he proposes such.

Conclusions and Recommendations:

The analyst must provide a candid conclusion of the development's market feasibility indicating the challenges or successes that the development is projected to face.

Market Study Analyst Statement of Experience:

The study must contain the preparer's resume and statement of experience.

Market Study Checklist:

The study must contain a completed Market Study Checklist. The Checklist can be found at the end of this schedule.



Signed Statement Requirements:

The signed statement must include the following language:

I have made a physical inspection of the site and market area and that information has been used in the full study of the need and demand for new rental units. To the best of my knowledge, the market can support the demand shown in the study. I understand that any misrepresentation in this statement may result in the denial of participation in the rental housing tax credit program in Indiana as administered by the Indiana Housing and Community Development Authority. Neither I nor anyone at my firm has any interest in the proposed development or relationship with the ownership entity. Compensation for my services is not contingent upon this development receiving a reservation or allocation of tax credits. I affirm under the penalties of perjury that the foregoing representations are true.

Market Analyst

Date



MARKET STUDY CHECKLIST

STANDARD	INCLUDED (Yes or No)	PAGE
Resume for market professional with demonstrable experience in Indiana affordable housing markets		
Executive Summary		
Development Description		
Site Map		
Color photos of site		
Type of construction, type of structure, number of buildings, number of units, amenities, number of bedrooms and baths, etc.		
Discussion on incompatible land uses adjacent to the site		
Scope of Rehabilitation, if applicable		
Identification of federal or local housing subsidy programs on site		
Projected construction start, completion and start of pre-leasing		
Market Area Description		
Detail of boundaries of primary market area (PMA)		
Scaled color map of shopping, medical services, public transportation, employment, financial institutions, libraries, schools, community centers within one and one half mile radius of site		
Scaled color map of PMA		
Color photos of immediate surrounding area or neighborhood		
Market Area Economy		
Description of the employment by industry sector for PMA and county where site is located		
List of major employers in PMA		
Employment and unemployment trends for PMA and county; County total workforce figures in numbers and percentages		
Analysis and conclusions on economic status of PMA		
Identification of data sources used to compile statistics		
Demographic Data		
Total Population and householders by age group		
Number of senior and non-senior households, if applicable		
Total number of households by age, tenure, income, average household size, and group quarters.		
Renter households by number of persons in the household		
Demand Analysis		
Projection of total demand from demand for new renter households & demand from existing households, as described in Schedule C of QAP		
Minimum and maximum income ranges for each targeted group		



Definition of absorption period and rate to reach 95% occupancy		
Presentation of net demand in narrative, chart, and/or tabular format		
Calculation of capture rate for each income target group and bedroom size		
Calculation of penetration rate for the PMA		
Comparison of market rents and rents at proposed development		
Demand calculations with rental assistance and without rental assistance, if applicable		
Demand calculations with rental assistance and without rental assistance, if applicable		
Assumptions for demand analysis		
Supply Analysis		
Survey of market rate and tax credit rental properties including name, address, age and condition, area median income level		
Type of federal and/or municipal subsidies, if applicable		
Presence of on-site management		
Number of units by bedroom type, number of bathrooms for each unit type, square footage of units		
Rents by number of bedrooms and baths, and square footage		
Unit and site amenities relative to subject property		
Type of utilities		
Occupancy rates of each property		
Absorption history of each property (if recently completed)		
Color photographs of comparable properties		
Color map depicting location of each property relative to subject property		
Market vacancy rate for PMA rental stock by population and type of occupancy and unit size		
Number of people on waiting lists for each property		
Discussion of availability of other affordable housing options		
In rural areas, data on developments in adjacent markets with similar characteristics, if properties are not available in PMA		
Conclusions and Recommendations		
Candid conclusion about the subject property's feasibility in the market.		

ACKNOWLEDGMENT OF MARKET ANALYST

Market Study Analyst

Signature: _____

Printed Name: _____

Title (if applicable): _____



Preferred Market Study Analysts Instructions and Application

The Indiana Housing and Community Development Authority are seeking experienced professionals to conduct third-party market study reports for housing funding applications. The reports are to provide the professional's opinion of the market for affordable rental housing in a market area. Beginning with 2007 program year, IHCD A will only accept market study reports from companies included on the IHCD A Preferred Market Study Provider List. This list will be used for rental housing tax credit developments and multifamily bond programs. Applicants who are seeking funding for either of these programs must contract directly with a provider on the preferred list to obtain a required market study. The initial list will be available on page three of this application. An updated list will be available on the IHCD A web site.

In order to be placed on the preferred list, interested persons or firms must submit a complete application package at least 60 days prior to the date on which the application for IHCD A funding will be submitted. IHCD A staff will review the application package and notify the applicants of the results of their review within 15 days of the receipt of the application package. Applications will be judged by the individual's experience, capacity, and knowledge of IHCD A and national standards. Applications will be accepted on a rolling basis throughout the calendar year.

If placed on the preferred list, the market study provider will remain on the list for three years. After such time, the provider will need to re-apply to IHCD A to be put back on the list. IHCD A reserves the right to remove a provider from the list at any time due to the failure of adhere to IHCD A market study requirements as outlined in program guidelines or other actions deemed by IHCD A to be harmful to the program or applicants.

A complete application package must consist of the following:

1. Completed application form.
2. A list of applications to IHCD A from the past 2 years that included a market study prepared by your firm or if no previous experience, a sample market study for a proposed rental housing tax credit development.
3. A resume (no more than 5 pages) outlining staff, education, experience, and credentials.

Submit complete application packages to:

Indiana Housing and Community Development Authority
Tax Credit Allocations
RE: Preferred Market Study List Application
30 S. Meridian Street, Suite 1000
Indianapolis, IN 46204



APPLICATION FORM – Preferred Market Study Provider List
Indiana Housing and Community Development Authority

1. Provider Name: _____
Address: _____
City: _____ State: _____ Zip: _____
Contact Person: _____ Title: _____
Phone: _____ Fax: _____
Email: _____
2. Years of experience conducting affordable housing market studies: _____ Years
3. Have you submitted a market study to the IHCD in the past? ____ Yes ____ No
4. Do you belong to the National Council of Affordable Housing Market Analysts? ____ Yes ____ No
5. References:
 - a. Name: _____
Company: _____
Phone: _____ Fax: _____
Email: _____
 - b. Name: _____
Company: _____
Phone: _____ Fax: _____
Email: _____
6. I certify to the best of my knowledge that the information provided is true and complete. I also understand that to remain on IHCD's list of approved market study providers, I must adhere to IHCD's market study requirements as contained in the program guidelines and agree to remain informed of program updates and IHCD statewide rental studies.

Name: _____

Title: _____

Signature: _____ Date: _____

IHCD USE ONLY - DATE RECEIVED: _____

